Supreme Court, U.S.
FILED
JAN 15 2010
OFFICE OF THE CLERK

No. 09-702

In the Supreme Court of the United States

ACUSHNET COMPANY,

Petitioner,

v.

CALLAWAY GOLF COMPANY,

Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF FOR RESPONDENT

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January 15, 2010

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QUESTION PRESENTED

This Court has held that obviousness is a legal issue based on underlying factual findings. The petitioner here admits that since the 1980's the Federal Circuit has laid out the correct test for determining obviousness – specifically, reviewing underlying factual findings for substantial evidence, and reviewing the ultimate question of law *de novo*. The Federal Circuit explicitly followed that approach in this case, as it has in many other cases, including the cases Acushnet cites in its petition. Indeed, after conducting its analysis in this case, the Federal Circuit granted Acushnet a retrial on obviousness on legal grounds, even though a jury had previously rejected its obviousness defense for 8 out of 9 asserted claims. The only question presented in Acushnet's petition is whether this Court needs to "remind" the Federal Circuit of its own existing precedent. The answer, plainly, is no.

RULE 29.6 STATEMENT

No parent corporation or any publicly held company owns 10 percent or more of Respondents' stock

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I. PRELIMINARY STATEMENT

In *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), this Court stated that "the ultimate question of patent validity is one of law," but noted that an obviousness inquiry, "lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined." *Id.*

The Federal Circuit has consistently and repeatedly followed *Graham's* holding that obviousness is a question of law based on underlying facts. In *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561 (Fed. Cir. 1987), the Federal Circuit set forth in detail the basic framework for making an obviousness determination: reviewing factual findings for substantial evidence, and reviewing the ultimate legal conclusion de novo. *Id.* at 1565. Acushnet does not challenge this basic framework, established over 20 years ago. In this very case, and in the vast majority of its cases (including those cited in Acushnet's petition), the Federal Circuit *explicitly* recognized that while a jury's underlying factual findings are reviewed for substantial evidence, "the ultimate question of obviousness is a legal issue reviewed de novo." *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1339 (Fed. Cir. 2009); *see also Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288, 1294 (Fed. Cir.

2009) ("As we have explained, '[t]his court reviews a jury's conclusions on obviousness, a question of law, without deference, and the underlying findings of fact, whether explicit or implicit within the verdict, for substantial evidence'") (internal citation omitted).

There is no evidence that the Federal Circuit needs to be "reminded" of this precedent, as Acushnet requests in its petition. Acushnet complains of the Federal Circuit's use of the phrase "substantial evidence" in the context of reviewing a jury's verdict on obviousness, but the very cases cited by Acushnet make clear that the Federal Circuit well understands the distinction between underlying factual findings and the ultimate legal conclusion of obviousness. *See, e.g., Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1332 (Fed. Cir. 2009) ("We review '[the] jury's conclusions on obviousness, a question of law, without deference....'") (*quoting Johns Hopkins Univ. v. Datascope Corp.*, 543 F.3d 1342, 1345 (Fed. Cir. 2008)); *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 381 F.3d 1371, 1375-76 (Fed. Cir. 2004) ("the ultimate question of obviousness is reviewed for correctness in law, based on the factual premises"); *LNP Engineering Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1353 (Fed. Cir. 2001) ("This court reviews a jury's conclusions on obviousness, a question of law, without deference...."); *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1235 (Fed. Cir. 1989) (relying for standard of review on *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425 (Fed. Cir. 1986), wherein court wrote that factual inquiries "precede a legal conclusion on obviousness under 35 U.S.C. § 103") (emphasis added)).

Indeed, just in the last month the Federal Circuit issued an opinion in *i4i LP v. Microsoft Corp.*, 2009 WL 4911950 (Fed. Cir. Dec. 14, 2009), slip. op., available at http://www.cafc.uscourts.gov/opinions/09-1504.pdf, which included a review of a jury's verdict of non-obviousness and stated, "[a]s always, our review of the ultimate legal question, whether the claimed invention would have been obvious, is *de novo*." Slip. op. at 14 (*citing Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1108 (Fed. Cir. 2003) (emphasis added)). The *i4i* court did not merely pay lip service to this standard, but went on to do exactly what Acushnet claims the Federal Circuit consistently fails to do – decide the ultimate legal question of obviousness, separate and apart from assessing the sufficiency of the evidence supporting any explicit or implied findings on the underlying factual *Graham* factors:

> In this case, Microsoft has waived its right to challenge the factual findings underlying the jury's implicit obviousness verdict because it did not file a pre-verdict JMOL on obviousness . . . . Accordingly, we do not consider whether the evidence presented at trial was legally sufficient to support the jury's verdict. Our review is limited to determining whether the district court's legal conclusion of nonobviousness was correct, based on the presumed factual findings. . . .

i4i, slip op. at 14-15 (emphases added).

"This Court reviews judgments, not statements in opinions." *Cal. v. Rooney*, 483 U.S. 307, 311 (1987). Here, the jury was properly instructed on the *Graham* factors and the general verdict form asked the jury to decide the ultimate question of whether or not the claimed inventions were obvious. After the jury reached its verdict, the district court and the Federal Circuit thereafter had to assume that the jury resolved all the underlying facts in favor of Callaway Golf on each of the claims whose validity was upheld. The district court and Federal Circuit reviewed those implicit factual findings – that golf ball design is an unpredictable art, and that the specific inventions here satisfied a long-felt need in the industry and revolutionized the game of golf almost overnight – and found each fact supported by substantial evidence. Having no facts to support a verdict of obviousness, the district court and the Federal Circuit reached the legal conclusion that 8 of the 9 asserted claims were not obvious, and that an inconsistent verdict on the 9th claim required a new trial on obviousness. Because there was no error in the standards applied by both the district court and the court of appeals, Acushnet's petition for a writ of certiorari should be denied.

II. FACTUAL BACKGROUND

A. The State of the Art in 1995

This case involves golf ball technology. In 1995, the golf ball market was dominated by mainly two types of balls. Most professional golfers played "wound" balls, which were filled with elastic windings wrapped around either a solid or liquid-

filled center. Wound balls existed since at least the 1930's. These balls provided superior spin and "feel," which allowed highly-skilled golfers to shape their shots and achieve better control around the greens. The most prevalent ball played on the PGA professional tour in 1995 was the Titlelist Professional, which was made by Acushnet and had a wound core with a polyurethane cover. [D.I. 424 at 279:5-13; 357:7-10.] The Wu patent, assigned to Acushnet and cited by Acushnet as prior art in this case, similarly disclosed a wound ball with a polyurethane cover. [*See* U.S. Patent 5,334,673.] At trial, witnesses testified that in 1995 Acushnet was primarily a "wound ball" company. [D.I. 427 at 864:5-18.]

While most professional golfers prized the spin and feel of a soft-covered wound ball, these characteristics were actually detrimental to the performance of many amateur golfers. Amateur golfers often have inconsistent swings – their club head may hit the ball with different angles and speeds with each swing, and a wound ball will actually accentuate the resulting slices and hooks, making the ball difficult to control. Consequently, amateur golfers typically favored a solid ball with a rubber core and a hard outer cover layer. One popular example was the Top-Flite brand of golf balls sold by Spalding Company. The Molitor '637 patent, cited by Acushnet as prior art, is an example of a patent that discloses a two-piece, solid-core golf ball. [*See* U.S. Patent 4,274,637.] Solid, two-piece balls were often advantageous in that they generally flew longer off the tee than wound balls, but they were difficult to spin and control, which is why

professional golfers still favored wound balls even though they generally could not hit them as far as the solid balls available on the market.[1]

The challenge facing golf ball designers in 1995, one they had been facing for many years, was to create a ball that combined the distance of a solid ball off the tee with the spin and feel of a wound ball around the green. Nothing in the prior art was capable of marrying these two performance characteristics. Other inventors tried and failed to produce this "holy grail" golf ball. The prior art provides many examples of inventors who mistakenly thought they had found the answer. Yet, no ball actually provided the long-sought unique combination of properties until the inventions of the patents in suit.

For example, the prior art Nesbitt patent, which Acushnet heavily relies upon in this case, issued in 1984 and disclosed a three-piece golf ball (sometimes called a "dual-cover layer" ball) with an ionomer outer cover and an ionomer inner cover. Similarly, the Proudfit prior art patent disclosed an example of three-piece golf ball with an ionomer inner cover and a synthetic rubber ("balata") outer cover. Despite brave claims in both patents to have found the answer, neither of these prior art balls

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[1] The Molitor '751 patent, also cited by Acushnet in its petition as prior art, disclosed a two-piece, solid golf ball that had a polyurethane cover. [*See* U.S. Patent 4,674,751.] Balls with that construction were actually shorter in distance than other two-piece balls with harder covers; also, the polyurethane cover had a tendency to turn yellow and had durability issues. [*See* U.S. Patent 4,884,814; D.I. 427 at 848:2-21].

actually provided the superior distance and control that professional and top amateur golfers demanded, and none of the prior art satisfied the long-felt need in the industry for a "holy grail" ball that combined the distance of a two-piece ball with the control and feel of a wound ball.

B. The Invention of the Patents in Suit

Inventor Michael Sullivan started working at Spalding Sports in 1979. He was originally hired as a technical assistant while an undergraduate in college, helping Spalding mix golf ball cores. [D.I. 427 at 820:8-13.] After he graduated in 1981, he was employed by Spalding's research & development department, investigating different materials for new products, primarily golf balls. [*Id.* at 821:12-25.] Prior art inventors Molitor and Nesbitt both worked in the R&D department at Spalding at that time, and Sullivan became familiar with their work. [*Id.* at 935:2-5.]

All the witnesses in this case, including the prior art witnesses and Acushnet's own golf ball engineers, agreed that golf ball design is an unpredictable art. [D.I. 424 at 511:23-512:25; 530:20-24; D.I. 426 at 660:1-5, D.I. 427 at 815:22-816:7; 941:15-944:21; D.I. 428 at 1022:15-18; 1128:25-1129:9; 1146:22-1147:7; 1115:11-19; .] Small changes in the attributes of a golf ball can yield surprising results, both positive and negative, and it is very difficult to know what a given ball will do before testing it. [*Id.*] Sullivan, like other golf ball designers, was aware of the prior art, and also was aware of the desire in the industry for a ball that

provided both distance and feel. [D.I. 427 at 838:12-839:3.] He began his own research in 1991 by setting out specifically to improve on the ball disclosed in the Nesbitt patent, so that he could produce a ball that combined the distance of a solid two-piece ball combined with the spin and feel of a wound ball. [*Id.* at 829:11-830:11.]

Contrary to Acushnet's representations in its petition, Mike Sullivan did not simply read Acushnet's Wu patent and apply the Wu polyurethane to existing multi-layered balls. As Sullivan testified, polyurethanes had been used to cover golf balls since at least 1968 – when Spalding, not Acushnet, first used it to cover solid balls. [D.I. 427 at 956:2-11.] The use of polyurethane *per se* was not what made his invention an improvement over the prior art. [*Id.* at 789:20-24.] The use of multiple layers in golf balls was also known – the patents-in-suit discuss the Nesbitt patent at length in the specification, and discuss existing multi-layer balls. Yet despite this knowledge and long-felt need, no inventor thought to combine a polyurethane cover with a multi-layer ball with the specific characteristics necessary to provide both the distance and control sought by golfers at the time.

Sullivan had to consider a wide variety of materials and compositions for both the inner and outer cover layers before settling on the specific formulation disclosed and claimed in his patents. [D.I. 427 at 834:9-14.] Once he found the specific formulation that provided the "holy grail" combination of distance and control, Spalding filed for a patent to protect his invention. The claims of

these patents describe a specific ball with specific properties, including an inner and outer cover layer with a specified hardness, a specified range of thicknesses, and a specific combination of low-acid ionomer resins containing a certain percentage of an alpha, beta-unsaturated carboxylic acid. Spalding and Sullivan also disclosed to the Patent & Trademark Office all of the prior art that they were aware of, including the prior art that Acushnet now relies on to attempt to invalidate the patents-in-suit.[2] Several of these prior art patents were expressly discussed at length in the specifications and prosecution histories of the patents-in-suit. In other words, the USPTO had all of the relevant art before it when it considered the patents-in-suit. The Patent Office determined that the inventions were new and non-obvious, and allowed the patents to issue.

C. The Development of the Market for Three-Piece, Polyurethane-Covered Balls

Sullivan filed the first application for the four patents in suit in 1995. At that time, however,

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[2] Acushnet claims that two of its "references" – the two prior art golf balls – were not before the Patent and Trademark Office ("PTO"). But the Proudfit patent, which was before the PTO, discloses a three-piece ball with a balata cover, which Acushnet equates to the Wilson Ultra Tour Balata ball. Similarly, the Wu patent, which was before the PTO, describes a wound ball with a polyurethane cover that Acushnet equates to the Titleist Professional ball. In other words, all of the relevant art was known to the Patent Office at the time it considered and allowed the Sullivan patents.

Spalding was not in a position to capitalize on his new idea. According to former Spalding executive Thomas Kennedy, Spalding was in poor financial health, and was sold in 1996 to a "corporate raider" that placed a "tremendous amount of debt on the company." [D.I. 427 at 945:16-22.] Spalding turned to Callaway Golf to acquire the assets of Spalding's golf business, and Callaway Golf ultimately acquired Spalding's golf assets, including the patents-in-suit, through a bankruptcy sale in 2003.

Both Callaway Golf and Acushnet eventually made golf balls using an ionomer intermediate layer surrounded by a relatively soft polyurethane cover, although neither was as early as Mike Sullivan, and both companies undertook massive efforts to develop those golf balls. Callaway Golf started the development of its "Rule 35" golf ball in 1997 and, after employing dozens of scientists and technicians, working for years, and testing several thousand prototypes encompassing over a dozen different constructions, Callaway Golf finally released a ball for sale in January 2000. [D.I. 428 at 1026:12-1046:24.]

Acushnet similarly worked on its own "Veneer" golf ball starting in late 1995 and 1996, looking at various different designs for new golf balls and testing various prototypes. [D.I. 424 at 362:7-12.] The "Veneer" ball ultimately became the accused ProV1, which Acushnet conceded on the eve of trial infringed the Sullivan patents. [D.I. 367.] Thus, collectively, Callaway Golf and Acushnet spent years and millions of dollars in an effort to invent a

golf ball that Sullivan had already invented and sought a patent for years earlier.[3]

Importantly, Acushnet's own engineers thought that the ProV1 was new and novel at the time it was released in 2000, long after Sullivan's work. Acushnet Senior Executive Vice President, Chief of Research and Development, and chief golf ball designer Bill Morgan testified that he had never heard of anyone making a solid, multi-layer ball with a thin cast polyurethane cover, and that Acushnet's new "Veneer" ball was different from the prior art. [D.I. 424 at 392:13-20; 394:15-24; 438:9-22.] Acushnet golf ball designer Ed Hebert, chief architect of the Veneer ball, felt the same way, and described his "surprise" at the exceptional performance of this new ball. [D.I. 428 at 1102:16-1103:13.]

Indeed, Acushnet felt that the "Veneer" ball (later called the "ProV1") was so novel that in 1997,

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[3] Contrary to Acushnet's assertion, there is no evidence that these balls were invented at the same time as the Sullivan invention. *Cf. Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1380 n.4 (Fed. Cir. 1986) (holding "irrelevant" alleged evidence of simultaneous invention occurring after the date of invention, and stating that "simultaneous development may or may not be indicative of obviousness").

Acushnet also references development of Nike and Bridgestone golf balls, suggesting that they provide two more examples of simultaneous invention, but the Nike and Bridgestone golf balls were actually made by the same company, and the trial record contains no evidence as to whether either of those golf balls is covered by the claims of the patents-in-suit, or exactly when they were conceived.

two years after Sullivan applied for a patent on his invention, it filed for its own patents on a three-piece ball with a polyurethane outer cover – and actually received a family of patents in the name of Mr. Hebert and Mr. Morgan having claims that directly overlap with the Sullivan patents-in-suit. [*See* U.S. Patents 5,885,172 and 6,132,324.] Acushnet thus regarded the infringing ball as new and novel in 1997, even though Acushnet's own patents identify the same prior art on their face that Acushnet now says renders the Sullivan patents obvious.

After these new golf balls hit the market in 2000, the golf world was transformed almost overnight. Even though wound balls had dominated the premium market for 65 years, and Acushnet had a dominant market share for premium wound balls, players immediately began replacing their old, wound balls with the new multi-layer, polyurethane covered balls. Internal Acushnet documents note that this "immediate paradigm shift from wound urethane to solid urethane technology" was unprecedented. [PTX722, 723, 1195, 1201.] Forty-seven professionals – more than half of the players under contract with Titlelist – put the infringing ProV1 into play at the very first tournament that it was available. [D.I. 423 at 131:8-11; D.I. 367 (infringement stipulation); PX 722 at AC0089552.] Acushnet witnesses testified that the ProV1 became the most-preferred and most-played ball by tour professionals, and that within two years of its release Acushnet had stopped making wound balls entirely, essentially throwing away a wound ball franchise it had built up over half a century. [D.I. 424 at 272:24-273:4; 307:9-308:6;310:5-15.]

Acushnet's witnesses and its own attorneys repeatedly emphasized the success of the ProV1.[4] Witnesses testified that the performance of these new balls – their ability to combine both distance and feel – were the reason behind their remarkable success. [D.I. 424 at 434:7-20.] Acushnet's own CEO was quoted as saying that the ProV1 "saved this company," and that without it Acushnet was facing "potential technological obsolescence." [PX723; 1174.] The evidence presented at trial demonstrated that the superior performance of the ProV1 was directly attributable to the Sullivan invention.

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[4] Acushnet complains that "Callaway's strategy [at trial] was to equate Acushnet's ProV1 balls to the claimed invention." Yet the ProV1 golf balls admittedly embody the invention because Acushnet stipulated that its ProV1 golf balls infringed. Evidence of the commercial success of the ProV1 balls was relevant to show that the invention, as embodied in those balls, met a long-felt need in the industry, received praise from others, and achieved commercial success. *Graham*, 383 U.S. at 17-18. Acushnet also complains that "the asserted claims...contain no limitations to any unique, unexpected, or critical performance criteria." But the test for non-obviousness has nothing to do with what the claims say about commercial success – rather, secondary considerations of non-obviousness look to common sense, real-world facts that assist in the obviousness determination. *See Preemption Devices, Inc. v. Minnesota Min. and Mfg. Co.*, 732 F.2d 903, 907-08 (Fed. Cir. 1984) (Rich, J.) ("As for putting advantages or 'sales pitch features' in claims, counsel should know that they do not properly belong in claims, the sole function of which is to point out distinctly the process, machine, manufacture, or composition of matter which is patented, 35 U.S.C. § 101, 112, not its advantages. It is entirely proper, nevertheless, in evaluating nonobviousness, for a court to take into account advantages directly flowing from the invention patented").

D. Procedural History

Callaway filed this suit on February 9, 2006. On December 3, 2007, on the eve of trial, Acushnet stipulated that its ProV1 balls infringed the asserted claims of the Sullivan patents. [D.I. 367.] The district court had previously bifurcated liability from damages, and the parties thereafter tried only the issue of obviousness to a jury starting on December 3, 2007. The parties disputed several factual issues underlying obviousness, including the content of the prior art, the differences between the invention and the prior art, and the impact of several secondary considerations of non-obviousness. A general verdict form asked the jury whether or not the asserted claims were obvious.

On December 14, 2007, the jury returned a verdict that all claims were not obvious except dependent claim 5 of the '293 patent. [App. at 71a-72a.] In ruling on Acushnet's JMOL motion, the district court found support for the jury's implicit factual findings that the prior art did not disclose the specific Shore D hardness and inner cover layer compositions required by the asserted claims, that there was insufficient evidence of a motivation to combine the prior art, and that the unpredictability of the golf ball field coupled with several secondary considerations demonstrated the non-obviousness of the claimed invention. [App. at 40a-44a.] The district court declined to set aside the jury's verdict that the patents-in-suit were not obvious.

The Federal Circuit affirmed-in-part, reversed-in-part, vacated-in-part, and remanded for

a new trial on obviousness. *See Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331 (Fed. Cir. 2009). The Federal Circuit affirmed with respect to the Court's constructions of the disputed claim terms, an issue of law it reviewed *de novo*. *Id.* at 1337-38.[5] The Federal Circuit also agreed with the district court that the implicit factual findings of the jury on obviousness were supported by substantial evidence. *Id.* at 1339-41. Importantly, the Federal Circuit *explicitly* recognized that while the jury's underlying factual findings were reviewed for substantial evidence, "the ultimate question of obviousness is *a legal issue reviewed de novo*." *Id.* at 1339 (emphasis added). The Federal Circuit reviewed the record and ultimately agreed with Acushnet that as a matter of law the jury verdict finding dependent claim 5 invalid (and simultaneously finding independent claim 4 valid) was irreconcilable and required a new trial on obviousness. *Id.* at 1343-45. The Federal Circuit also vacated the district court's summary judgment of no anticipation and remanded for a new trial on anticipation. *Id.* at 1345-48. The district court subsequently scheduled a retrial for March 22, 2010 to include anticipation, obviousness and damages.

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[5] The Federal Circuit also upheld the district court on two evidentiary rulings challenged by Acushnet. *Id.* at 1341-43.

III. ARGUMENT

A. The Federal Circuit's Remand Makes This Case A Poor Vehicle For Supreme Court Review

Without even reaching the merits of Acushnet's petition, the procedural posture of this case makes it a poor vehicle for Supreme Court review. As discussed below, Acushnet's complaint is not that the Federal Circuit lacks a proper legal framework for considering obviousness, but rather that the district court and the Federal Circuit allegedly failed to follow that framework in this case. Yet this case has already been remanded to the district court by the Federal Circuit for a new trial on both anticipation and obviousness. Acushnet will have ample opportunity on remand to ask the district court and the Federal Circuit to undertake an even more detailed legal analysis. It makes little sense for this Court to intervene now, where the obviousness decision allegedly at issue has already been vacated and remanded by the court of appeals. Indeed, this Court recently rejected a petition for a writ of certiorari in another case that raised the exact same complaint now made by Acushnet's petition. *See Medela AG v. Kinetic Concepts, Inc.*, Supreme Court Docket No. 09-198, filed August 13, 2009, cert. denied November 16, 2009. In the mere weeks since then, nothing has changed that would warrant this Court's review, and the procedural posture of this case makes it a far less attractive candidate for review than *Medela*.

B. Acushnet Admits That Federal Circuit Precedent Sets Forth The Proper Test for Determining Obviousness

In *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), this Court said that "the ultimate question of patent validity is one of law," but noted that an obviousness inquiry, "lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined." *Id.*

The Federal Circuit has consistently and repeatedly followed *Graham's* holding that obviousness is a question of law based on underlying facts. In *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561 (Fed. Cir. 1987), the Federal Circuit set forth in detail the basic framework for making an obviousness determination. The Federal Circuit began by noting that, "[o]n review of a judgment based on a conclusion of obviousness under 35 U.S.C. § 103, this court must consider not only whether there is legal error, but also whether the underlying findings are either nonprobative, or clearly erroneous, or both." *Id.* at 1565. If a district court does not make factual findings necessary to resolve the obviousness issue, an appellate court should vacate and remand to allow the district court to make those fact findings. *Id.* If unassailable findings of fact were made but those facts could not

support the legal judgment of obviousness, or if the determination of the factual issues was clearly erroneous, an appellate court should vacate or reverse. *Id.* In making this decision, a court should always remember that it is not the patentee's burden to prove a patent is valid: "[w]hen the burden has not been carried, a court need only so state. ... The statute makes a patent presumptively valid when issued and imposes the burden of establishing invalidity on the challenger." *Id.* at 1570.

C. There is No Evidence That The Federal Circuit Has Deviated From Its or This Court's Precedent on Obviousness

In its petition, Acushnet seems to admit that *Panduit* sets forth the proper test for determining obviousness in light of this Court's holding in *Graham*. Acushnet's only assignment of error is that the Federal Circuit allegedly needs a "reminder" to follow its own precedent. Yet in this very case, and in the vast majority of its cases (including those cited in Acushnet's petition), the Federal Circuit *explicitly* recognized that while a jury's underlying factual findings are reviewed for substantial evidence, "the ultimate question of obviousness is a legal issue reviewed de novo." *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1339 (Fed. Cir. 2009); *see also Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288, 1294 (Fed. Cir. 2009) ("As we have explained, '[t]his court reviews a jury's conclusions on obviousness, a question of law, without deference, and the underlying findings of fact, whether explicit

or implicit within the verdict, for substantial evidence'") (internal citation omitted).

Acushnet complains of the Federal Circuit's use of the phrase "substantial evidence" in the context of reviewing a jury's verdict on obviousness, but the very cases cited by Acushnet make clear that the Federal Circuit well understands the distinction between underlying factual findings and the ultimate legal conclusion of obviousness. *See, e.g., Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1332 (Fed. Cir. 2009) ("We review '[the] jury's conclusions on obviousness, a question of law, without deference....'") (*quoting Johns Hopkins Univ. v. Datascope Corp.*, 543 F.3d 1342, 1345 (Fed. Cir. 2008)); *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 381 F.3d 1371, 1375-76 (Fed. Cir. 2004) ("the ultimate question of obviousness is reviewed for correctness in law, based on the factual premises"); *LNP Engineering Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1353 (Fed. Cir. 2001) ("This court reviews a jury's conclusions on obviousness, a question of law, without deference...."); *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1235 (Fed. Cir. 1989) (relying for standard of review on *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425 (Fed. Cir. 1986), wherein court wrote that factual inquiries "precede a legal conclusion on obviousness under 35 U.S.C. § 103") (emphasis added)).

Indeed, just in the last month the Federal Circuit issued an opinion in *i4i LP v. Microsoft Corp.*, Case. No. 2009-1504 (Fed. Cir. Dec. 14, 2009), available at http://www.cafc.uscourts.gov/opinions/09-1504.pdf, which included a review of a

jury's verdict of non-obviousness and stated, "[a]s always, our review of the ultimate legal question, whether the claimed invention would have been obvious, is *de novo*." Slip. op. at 14 (*citing Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1108 (Fed. Cir. 2003) (emphasis added)). The *i4i* court did not merely pay lip service to this standard, but went on to do exactly what Acushnet claims the Federal Circuit consistently fails to do – decide the ultimate legal question of obviousness, separate and apart from the underlying factual *Graham* factors:

> In this case, Microsoft has waived its right to challenge the factual findings underlying the jury's implicit obviousness verdict because it did not file a pre-verdict JMOL on obviousness . . . . Accordingly, we do not consider whether the evidence presented at trial was legally sufficient to support the jury's verdict. Our review is limited to determining whether the district court's legal conclusion of nonobviousness was correct, based on the presumed factual findings. . . .

i4i, slip op. at 14-15 (emphases added).

In light of the Federal Circuit's clear and consistent articulation of the correct standard for reviewing jury verdicts of obviousness, Acushnet's complaint boils down to semantics. It will very often be the case that after considering the underlying *Graham* factors, there will be little need for further explanation as to why an invention is obvious or non-obvious – in other words, if the prior art simply does not teach certain limitations, or if the prior art

teaches away from making certain combinations, or if secondary considerations strongly demonstrate the non-obviousness of an invention, a reviewing court's primary role may be to ensure that those factual findings are supported by substantial evidence before completing its assessment of the ultimate legal conclusion of non-obviousness. No extensive and detailed explanation or legal analysis may be warranted where, as here, the underlying facts all point towards the non-obviousness of the claimed invention. Other cases, perhaps where the findings on the *Graham* factors point in different or conflicting directions, may require additional explanation and assessment, for example to reconcile competing or inconsistent facts.[6]

Acushnet can point to no *Graham* factor finding here that could even allegedly support a determination of obviousness. Both courts below analyzed the *Graham* factors in detail to make sure that the jury's fact findings were supported by substantial evidence, and both affirmed those findings. Without *any* fact findings supporting obviousness, there was no need here for a lengthy legal analysis to address Acushnet's failure to carry its clear and convincing burden of showing that the claims were invalid over prior art cited on the very face of the patents. "This Court reviews judgments,

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[6] The Federal Circuit has conducted such an analysis, for example, in overturning verdicts of non-obviousness. *See, e.g., Boston Sci. Scimed, Inc. v. Cordis Corp.*, 554 F.3d 982 (Fed. Cir. 2009); *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337 (Fed. Cir. 2008); *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342 (Fed. Cir. 2007).

not statements in opinions." *Cal. v. Rooney*, 483 U.S. 307, 311 (1987). There was no error in the judgments below, and there is no need for this Court to remind the Federal Circuit of a legal standard that it followed in this very case.

IV. CONCLUSION

There is ample support for the jury's conclusion that the patents-in-suit are not obvious. The district court and the Federal Circuit applied the proper standard in reviewing that decision, holding that the jury's implicit factual findings were supported by substantial evidence, and reaching the ultimate legal conclusion of non-obviousness. Acushnet's complaint boils down to disappointment that the trial and appellate court did not spend more time explaining in further detail why Acushnet failed to meet its burden of proof. There is no legal error for this Court to correct, no split among the circuits, and no need for this Court to "remind" the Federal Circuit of its own precedent, which it clearly followed in this and other cases cited by Acushnet. Acushnet's petition for a writ of certiorari should be denied.

Respectfully submitted.

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January 15, 2010